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**1. NASR EMPHASIZES FREEDOM OF SUEZ NAVIGATION**

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Egypt's statement on 31 July that it intends to abide by the 1888 international convention on freedom of navigation of the Suez Canal and all other "international obligations" is designed to cut the ground from under reported Western moves to call a conference to deal with this problem. The announcement that Egypt will not force canal company employees to stay on the job if they give notice and resign in a regular manner is an effort to avoid accusations that Egypt is violating human rights in holding company personnel "prisoner."

The Egyptian government appears anxious to avoid any action which it feels could reasonably be construed as violating international agreements on the use of the canal. At the same time, however, the Egyptians are vigorously insisting on their right to nationalize the company, maintaining that nationalization involves only a change in the control of the administration of the canal, not in its operation.

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Meanwhile, London's efforts to avoid provoking Egypt are indicated by the order to four troopships to bypass Suez by going around Africa, and by the announcement that the two Egyptian destroyers being fitted out in Britain will be released.

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## 2. KHRUSHCHEV COUNSELS MODERATION BY WEST IN SUEZ DISPUTE

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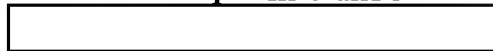


Khrushchev in a speech at a builders' rally on 31 July advised the British and French governments to use "common sense, experience and political soberness" in adjusting to Egyptian nationalization of the Suez Canal. He played down the cause for tension and warned that "unwise voices" are heard in Britain and France asking for the application of "some unspecified means of oppression, almost of military operations." He reaffirmed Soviet support for the legality of the Egyptian position.

### Comment

The USSR has made clear its desire for a peaceful solution of the canal dispute.

Press dispatches quote an unidentified Soviet bloc spokesman in London to the effect that Moscow recognizes Egyptian sovereignty over the canal, but would be willing to join in discussions for an "international solution" that would permit unrestricted passage by foreign ships.




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##### 5. BRITISH CONTINUING TO OBSTRUCT SEATO'S DEVELOPMENT

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 Reports from Bangkok indicate that British obstructionism continues to be the primary obstacle to American efforts to maintain momentum in the development of SEATO as an effective organization. Ambassador Bishop, the American representative on the SEATO council, points out that Britain has opposed and delayed adoption of practically every important American proposal, including the establishment of a public relations office and a research center. It has also sought to limit the scope of both classified and public reports on SEATO activities.

Bishop reports that Britain is currently delaying discussions on a projected report of the council's activities because of a "fundamental opposition" to the American concept that the entire range of the treaty's implementation should be covered.

The most serious effect of London's attitude has been the damage to SEATO's stature in the eyes of its three Asian members--Pakistan, Thailand and the Philippines. They have all expressed considerable dissatisfaction over SEATO's slow development and lack of results. 

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**6. INDONESIAN PRESIDENT LAUDS UNITED STATES**

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In an "extraordinary" speech in praise of the United States at an Indonesian National Party congress held in Semarang, a Communist stronghold in Java,

President Sukarno, according to Ambassador Cumming, demonstrated publicly the very favorable impressions received during his recent visit to the United States. Sukarno declared that he had found in America full freedom of expression and an amazing freedom from want. He indicated that the first of these elements was lacking in the Soviet Union.

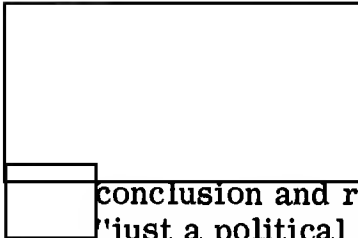
Cumming comments that the speech may produce pressures from the left. The Indonesian news agency Antara omitted all pro-American references in its summary of the speech. The requirements of courtesy in connection with his trip to the USSR and Communist China may prompt some "balancing" speech. Cumming believes, nevertheless, that the fact that Sukarno is now on record as enthusiastically endorsing the American way of life is bound to have "an incalculable influence on both the Indonesian elite and masses."

**Comment**

The Semarang speech is in marked contrast to the attitude of Sukarno and the National Party prior to his trip to the United States.



## 7. INDONESIA DISSATISFIED WITH PRESENT TRADE AGREEMENTS WITH EAST EUROPE



Trade officials of the Indonesian Foreign Ministry have stated that the barter agreements with East European countries had been unprofitable and that the

conclusion and renewal of such agreements in the past was "just a political gesture," since their provisions were never fulfilled. They said Indonesia henceforth will trade with countries offering the "most favorable conditions," according to the American embassy in Djakarta.

### Comment

A Foreign Ministry official had previously announced that trade agreements with Soviet bloc countries would be renewed under normal commercial payments practice, indicating dissatisfaction with the clearing arrangements on which they were originally negotiated. The trade officials' statement indicates that the agreements were sought by the first Ali government more to demonstrate its "independent foreign policy" than in the expectation of greatly expanded trade. Indonesia has been satisfied with its trade with Communist China.

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